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Before the
FEDERAL COMMUNICATIONS COMMISSION
Washington, D.C. 20554

Federal Communications Commission
Office of Secretary

In the Matter of

Federal-State Joint Board
on Universal Service

CC Docket No. 96-45

**COMMENTS OF
GUAM TELEPHONE AUTHORITY**

Guam Telephone Authority ("GTA"), the local exchange carrier serving 77,000 access lines on Guam, hereby submits these comments in the above-captioned proceeding. More specifically, GTA herein responds to the November 8, 1996 Recommended Decision of the Federal-State Joint Board in so far as that Decision recommends treatment for rural carriers in insular areas¹.

The Joint Board has decided that the proper measure of "cost" for calculating universal service support, for rural telephone companies, is embedded costs. For rural carriers in insular areas, embedded costs may be used for an indefinite period, pending further review. During this indefinite period, high cost assistance, DEM weighting and Long Term Support benefits are "frozen" at historical per-line amounts.

GTA supports this recommendation but seeks to remind the Commission of its anomalous situation. As the Commission is aware, GTA has not filed a traditional

¹ Recommended Decision, FCC 96J-3 (rel. Nov. 8, 1996).

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access tariff, is not a member of NECA, does not serve a "study area" as defined by the Commission, and has not participated in any universal service support program.² These failures result from Guam's historical treatment as an international point. In the last year, however, major steps have been taken to "domesticate" Guam, including the decision by the Industry Numbering Committee to include Guam within World Zone 1 and the North American Numbering Plan.

This year has also seen much progress in efforts to regularize GTA's practices. Presently pending before the Commission are petitions requesting that GTA be considered a "rural telephone company"³ and that it be permitted to join NECA⁴. On December 10, 1996 the Guam Public Utilities Commission held a special meeting wherein it voted to approve the establishment of Guam as a study area. Upon receipt of written approval from the Commission, GTA will file a study area waiver petition.

All of these steps are necessary to allow GTA to come into compliance with existing FCC requirements. This will occur on July 1, 1997 when GTA will (1) join the North American Numbering Plan; (2) introduce Feature Group D equal access; and (3) participate in the NECA access tariffs. That date will also mark the moment when, for the first time, GTA will become eligible for federal universal service support.

GTA is concerned that a "freeze" based on historical per line amounts might be construed to disqualify GTA from receiving any universal service support. This

² See IT&E Overseas, Inc., 7 FCC Rcd. 4023 (1992); see also Guam Telephone Authority, 9 FCC Rcd. 4890 (1994).

³ Public Utilities Commission of Guam, Petition for Declaratory Ruling, CCBPol 96-18, filed August 18, 1996.

⁴ GTA, Petition for Declaratory Ruling, DA 96-1892, filed October 31, 1996.

would, in the judgment of GTA, unfairly impact the citizens of Guam and be inconsistent with the principles embedded in Section 254 of the Communications Act. In particular, the Act requires that the Joint Board base policies for Universal Service on the "affordability" of rates and the "reasonable comparability" of rates and services in insular and urban areas.⁵

The local ratepayers on Guam have been subsidizing local rates themselves, without recourse to any nationwide support mechanisms. They have done so through non-cost-based rates for interexchange service that have, because of the anomalous circumstances of GTA, kept local rates lower than the national norm. GTA intends to participate in jurisdictionally separate tariffs effective on July 1, 1996, which will cause the amounts charged to the interexchange carriers to decrease. Removal of this Guam-only support system may, without the use of a Universal Service funding mechanism, cause a significant increase in local rates over a relatively short time frame.

We are confident that the Joint Board did not intend to prejudice the ratepayers of Guam by precluding GTA from participating in universal service support, particularly at the moment when local rates will no longer enjoy subsidies and may increase significantly. Moreover, it should be noted that the interexchange carriers serving Guam have not included Guam revenues in their contributions to Universal Service Funds. After July 1, 1997, they will presumably do so. To preclude GTA from participating in Universal Service at precisely the moment when Guam based revenues are included is patently unfair. Consequently, we request that the Commission interpret the Joint Board recommendation to allow GTA to receive benefits based on per line amounts which GTA received under its previous system of

⁵ 47 U.S.C. § 254(b)(1) and (3).

subsidies. This will help to assure that the "affordability" and "reasonable comparability" tests of the Telecommunications Act will be met in the case of rates and services for Guam.

Respectfully submitted,

GUAM TELEPHONE AUTHORITY



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December 19, 1996

CERTIFICATE OF SERVICE

I, Gail M. Mullen, do hereby certify that a copy of the foregoing Comments of the Guam Telephone Authority, was sent by first class United States mail, postage prepaid, or by hand delivery or facsimile where indicated by an asterisk (*), this 19th day of December, 1996 to the following:

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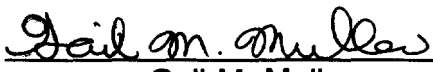
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